

Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 COME-00 FRB-02

OPIC-12 H-02 L-03 PA-03 PRS-01 USIA-12 CIAE-00 INR-10

NSAE-00 SIL-01 LAB-06 TAR-02 FTC-01 RSR-01 /152 W
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R 112120 Z MAY 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 1035

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ALL CONSULAR POSTS IN CANADA BY POUCH

E. O. 11652: N/A

TAGS: EIND, ETRD, CA, US

SUBJECT: U. S.- CANADA TRADE ISSUES; AUTO PACT: REMARKS OF
A. W. GILLESPIE AND E. BROADBENT

BEGIN UNCLASSIFIED. BEGIN SUMMARY. MINISTER OF
INDUSTRY, TRADE AND COMMERCE (ITC) GILLESPIE,
TESTIFYING MAY 10 BEFORE HOUSE COMMITTEE ON FINANCE,
TRADE AND ECONOMIC AFFAIRS, REJECTED AS "NAIVE" ANY
"PACKAGE" APPROACH TO RESOLVING BILATERAL TRADE
IRRITANTS. QUESTIONED CLOSELY ON AUTO PACT BY
PROGRESSIVE CONSERVATIVE (PC) AND NEW DEMOCRATIC PARTY
(NDP) AUTO INDUSTRY CRITICS O'CONNOR AND BROADBENT,
BOTH FROM ONTARIO, GILLESPIE REFUSED DETAILS
ON NEGOTIATIONS BUT EXPRESSED OPTIMISM DIFFERENCES
WOULD BE SETTLED AND MUTUALLY BENEFICIAL AGREEMENT
SUSTAINED. GILLESPIE ALSO EXPLAINED LOW
LEVEL OF AUTO INDUSTRY INVESTMENT IN CANADA LAST YEAR
AND SAID HE SAW NO REASON TO BELIEVE FUTURE INVESTMENT
DECISIONS WOULD PREJUDICE VIABILITY OF AGREEMENT.
BROADBENT SAID ON BASIS TALKS IN WASHINGTON BE BELIEVED
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USG WOULD SETTLE AUTO PACT DISPUTE ON BASIS GOC REMOVAL

OF DUTY ON INDIVIDUAL IMPORTS OF U. S.- MADE CARS AND
RECIPROCITY IN APPLICATION OF PRODUCTION SAFEGUARDS.
END SUMMARY.

1. TESTIFYING ON APPROPRIATIONS FOR HIS
DEPARTMENT, GILLESPIE WAS QUESTIONED BY O' CONNOR
WHETHER GOC ANTICIPATED TRADE- OFF BETWEEN AUTO
AGREEMENT AND ANY OTHER BILATERAL MATTER, ESPECIALLY
ENERGY. GILLESPIE REPLIED THAT FOR TWO COUNTRIES WITH
SUCH LARGE TRADE VOLUME TO ATTEMPT TO SMOOTH OUT IRRITANTS
" ON BASIS OF BIG PACKAGE DEAL.. IS REALLY
VERY NAIVE." SETTLEMENT OF TRADE DISAGREEMENTS,
GILLESPIE SAID, WOULD BE PURSUED ON ITEM- BY- ITEM
BASIS.

2. GILLESPIE REFUSED TO GIVE COMMITTEE DETAILS OF
STATUS OF NEGOTIATIONS OR GOC INTENTIONS ON AUTOMOTIVE
AGREEMENT. HOWEVER, HE SAID, HE HAD " VERY USEFUL
EXPLORATORY MEETINGS" WITH TREASURY SECRETARY SHULTZ
AND WAS " NOT GLOOMY" ABOUT PROSPECTS FOR PACT SINCE GENERAL
ACCEPTANCE OF ITS SUCCESS PROVIDED BASIS FOR FUTURE NEGOTIA-
TIONS.

3. ANSWERING OPPOSITION CRITICS' CHARGE THAT NEW
INVESTMENT IN CANADIAN AUTO INDUSTRY LAST YEAR HAD
DROPPED TO LESS THAN FIVE PERCENT OF NORTH AMERICAN
TOTAL, GILLESPIE SAID VERY HIGH INVESTMENT BY " BIG
FOUR" IN LATE 1960' S " PUT CANADA ON INVESTMENT
PLATEAU." HE SAW " NO REASON TO BELIEVE AUTO MAKERS'
INVESTMENT DECISIONS WILL ACT AGAINST OPERATION OF
PACT IN YEARS AHEAD." GILLESPIE ALSO REPEATED
HIS CONCERN THAT PRICE DIFFERENTIAL BETWEEN NORTH
AMERICAN CARS BOUGHT IN CANADA AND U. S. BE NARROWED
AND AGAIN DECLARED HE WOULD ENTERTAIN NO CHANGES IN
THE AGREEMENT UNLESS THEY WERE COUPLED
WITH SOME PROVISION TO INSURE FAIR AND EQUITABLE
SHARE OF NORTH AMERICAN MARKET FOR CANADIAN PRODUCTION.

4. BOTH O' CONNOR AND BROADBENT READ COMMITTEE
PREPARED STATEMENTS ON AUTO PACT. BROADBENT SAID ON
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BASIS OF CONVERSATIONS IN WASHINGTON HE BELIEVED USG
" RELUCTANTLY ACCEPTED" MESSAGE THAT CANADA WOULD NOT
ABANDON PRODUCTION SAFEGUARDS. BROADBENT SAID HE
BELIEVED USG, INCLUDING CONGRESS, WOULD FAVOR
MAINTAINING AUTO PACT IF CANADA AGREED TO DROPPING THE
15 PERCENT DUTY ON IMPORTS OF NORTH
AMERICAN CARS FROM UNITED STATES BY INDIVIDUALS; HE
SUGGESTED ANOTHER PART OF LIKELY DEAL MIGHT BE
MODIFICATION OF PRODUCTION AND VALUE- ADDED SAFEGUARDS

SO THEY APPLIED IN " RECIPROCAL" WAY TO BOTH COUNTRIES.
BROADBENT SAID NDP RECOMMENDS GOC REMOVE IMPORT DUTY ON
NEW CARS FROM THE UNITED STATES BUT RETAIN DUTY ON
USED CARS AND OFFSHORE IMPORTS. HIS PARTY, HE SAID,
INSISTS ON MAINTENANCE OF PRODUCTION SAFEGUARDS, IN
PROPORTION TO RESPECTIVE LEVELS OF CONSUMPTION, TO
ASSURE ADEQUATE LEVEL OF FUTURE INVESTMENT IN
CANADIAN INDUSTRY . BROADBENT EMPHASIZED IMPORTANCE
PROMPT ACTION TO REACH AGREEMENT WITH USG PRIOR TO
SENATE CONSIDERATION OF TRADE REFORM BILL NEXT
SEPTEMBER.

5. ABOVE INCLUDING QUOTES BASED ON NEWSPAPER ACCOUNTS AS
VERIFIED BY OFFICIALS PRESENT. COMMITTEE HEARINGS ON THE ITC
APPROPRIATION EST
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